

MINUTES OF THE
JOINT HEALTH AND HUMAN SERVICES APPROPRIATION SUBCOMMITTEE
Wednesday, January 28, 2004, 2:00 p.m.
Room 131 State Capitol

Members Present: Sen. Sheldon L. Killpack, Committee Co-Chair
Rep. Jack A. Seitz, Committee Co-Chair
Sen. Paula Julander
Rep. J. Stuart Adams
Rep. Calvin G. Bird
Rep. David Litvack
Rep. Rebecca Lockhart
Rep. Roz McGee
Rep. Mike Thompson

Members Excused: Sen. Leonard Blackham

Staff Present: Spencer C. Pratt, Legislative Fiscal Analyst
Thor Nilsen, Legislative Fiscal Analyst
Norda Shepard, Secretary

Public Speakers Present: Dr. Scott Williams, Executive Director, Department of Health
Michael Hales, Director, CHIP
Michael Deily, Director, Division of Health Care Financing
Sylvia Rickard, Breast Cancer Network
Bette Vierra, Executive Director, Association for Utah Community Health

A list of visitors and a copy of handouts are filed with the committee minutes.

The meeting was called to order by Co-Chair Seitz at 2:05 p.m.

Co-Chair Seitz reminded everyone that the committee would hear public input concerning Department of Health issues at the Thursday meeting. He instructed anyone who wants to speak to contact Analyst Spencer Pratt to have their name put on the speaker's list.

1. Children's Health Insurance Program (CHIP)

Dr. Scott Williams, Executive Director, Department of Health, introduced Michael Hales, Director, CHIP, who distributed a handout on CHIP Enrollment and Funding. Mr. Hales stated the current CHIP enrollment is just under 27,000, with 62% of the total living in Davis, Salt Lake, Weber and Utah Counties, and the remaining 38% being residents of the other counties. He said that since CHIP began in August 1998, more than 70,000 children have been insured with the program. He explained that CHIP funding is a four to one match of federal dollars for each state dollar put into the program. He said H.B. 72 last year boosted the state appropriation to \$7 million, up from \$5.5 million, which gives the program about \$35 million and will allow an enrollment of about 28,000 children. He reported that full dental benefits were restored as of July 2003.

Mr. Hales stated that all state CHIP funds come from the Tobacco Settlement Account. He explained that CHIP members are required to participate in the costs of the program through quarterly premiums and co-pays for services. CHIP collects about \$600,000 per year through these payments, which are reinvested to cover costs. Families are asked to pay quarterly premiums based on income. In response to questions from committee members, he reported that there are an estimated 55,000 potentially eligible children in the state. Not all choose to apply for enrollment. He stated that although there was a 25% increase in pharmacy costs, the biggest driving force pushing the increases within CHIP was the restoration of dental coverage.

2. Health Care Financing

Michael Deily, Director, Division of Health Care Financing, stated he has no disagreement with the analyst's recommendations. Rep. Lockhart asked about the coordination between Mr. Deily's Division and the Attorney General's Fraud Division. Mr. Deily explained that they have a Program Integrity Unit that is housed in the Division of Coverage and Reimbursement and the manager meets regularly with AG Fraud unit where they discuss cases. Any settlements from these cases would show up as dedicated credits in the budget.

3. Medical Assistance

Mr. Deily distributed a packet of budget fact sheets pertaining to Medicaid. He explained the Medicaid program is expected to increase 9.3% in utilization during FY 2005. In the Governor's budget there is a request for over \$18 million in General Funds. He discussed the chart in the handout showing total persons on Medicaid month by month since 1999. He said enrollment is going up about 10,000 per year, driving up the costs dramatically. He pointed out these figures do not include CHIP, PCN or QMB, but just the base Medicaid program. He stated the estimated 9.3% is a risk if the economy does not turn around. He said if this target is missed, the Division will have the option to cut services or come back to Appropriations for a supplemental.

In response to Rep. McGee's question in a previous meeting concerning Medicaid payment for births in Utah, Mr. Deily reported that in FY 2002, Utah ranked 39th in the percent of deliveries paid for by Medicaid with just under 26% of Utah deliveries paid by Medicaid.

Mr. Deily stated the Division is requesting \$8.8 million in General Funds to cover increasing costs for provider reimbursements. This covers increasing costs for pharmacy, federally qualified health centers, medicare premiums and cost share payments. He said the request does not address inflation for hospital, nursing home, physician, dentist, or other practitioner services. He said current budget restraints does not allow enough to respond to these areas. He said this should have top priority to be addressed in the future as reimbursements rates are getting to the point where we could see a lack of access. A recent survey showed that some Medicaid recipients could not find immediate providers. When asked which would be the three top priorities, he stated that it would probably be physicians and dentists with a tough call between nursing homes and hospitals. Dr. Williams said it is difficult to address needs of nursing homes and hospitals as each is different in caseload and ability to absorb smaller reimbursements. Dr. Williams stated there is a challenge in Medicaid in getting providers to engage in helping control costs by better case management and sometimes providers are reluctant to cooperate without better reimbursement rates.

Rep. McGee asked analyst Spencer Pratt where the provider reimbursements are listed in the Budget Analysis book and how he gathers information about provider services. Mr. Pratt stated the information is found under Tab 13, page 10. He said he attends most of the Medical Care Advisory Committee meetings where a lot of these issues are discussed. He gets information from the Medicaid program and their budget requests. He said one of the significant drivers is the revenue picture which is reviewed with other analysts. He stated he also makes visits to provider facilities.

Mr. Deily discussed the nursing center assessment that is included in the Governor's budget. He stated the industry has been working on a bill for some time to address this. He said there are several federal requirements that have to be met and the tax has to be broad based and uniform. He discussed ICF/MR Portability Growth, stating they are at or near capacity. He said the Department of Health is currently reconsidering a request for an exemption to the moratorium on adding new facilities to the program. He said addressing this issue can be done in several ways. He said options currently under discussion in the Department of Health, Department of Human Services and the Governor's Office are granting exemptions to the current moratorium on allowing construction of small facilities within the state, purchasing services out of state or reopening the portability program to allow some ICFs/MR residents to move back into the community. He briefly discussed the preferred drug list, reporting that some of the data in the report distributed in the January 22, 2004 meeting had some errors which will be corrected. He said the basic issue still is not changed. Rep. Lockhart asked if there was a conflict of interest with the organization who

compiled the report. Dr. Williams stated that if the list is adopted, this organization could be exempted if there is a concern about conflict. Mr. Deily also stated that the eREP system being developed will be a valuable tool for Health Care Financing in dealing with eligibility. They are requesting \$238,000 in General Funds to implement the Medical Assistance program into the eREP system.

Dr. Williams said he would like to compliment analyst Spencer Pratt for the exceptional work he does on the budget. He said the Department of Health greatly appreciates his work. He said he feels Mr. Pratt really does understand what the Department does and its needs very well. He stated he wanted to bring to the attention of the committee one issue in the Budget Analysis book. He said as the analyst was trying to determine what percentage of the budget is administrative, he took out Medicaid and CHIP but did not take out Health Care Financing, which is the whole administrative budget for Medicaid and CHIP. He said he feels the figure for administrative should be lower than the 33% shown.

4. Approval of Minutes

MOTION: Rep. Bird moved to approve the minutes of 1-26-04.

The motion passed unimously with Rep. Adams, Rep. Litvack and Rep. Thompson absent at the time of the vote.

5. Other Committee Business

Co-Chair Seitz again announced that public testimony would be taken in tomorrow's committee meeting. He stated those who wished to comment should come prepared to speak for about five minutes. He said that since there was still time in this meeting, anyone wishing to speak today could do so.

Sylvia Rickard, Breast Cancer Network, distributed a handout and requested continued funding for the Breast and Cervical Screening Program. She said the program gets a four to one grant match from the federal government. She said this is an important part of health care for a lot of women who cannot afford services. She asked committee members to study the facts and figures on the handout sheet and to seriously consider continuing the program.

Bette Vierra, Executive Director, Association for Utah Community Health, said she would like to make an appeal to be placed on the priority list. She said Community Health Centers in the state are recipients of many of the grants that are administrated under the Stake Primary Grant Program. She said that about 30% of Community Health Center's budgets come from federal grants. She said often the federal bureaucracy looks to see how much states care about Community Health Centers. She stated that Utah can say we care \$600,000 worth. She said her organization would like to request \$1million in state funding, which would take an addition \$400,000. She stated she would send an annual report to committee members.

MOTION: Rep. Bird moved to adjourn.

The motion passed unanimously with Sen. Julander, Rep. Adams, Rep. Litvack and Rep. Thompson absent at the time of the vote.

Co-Chair Seitz adjourned the meeting at 3:28 p.m.

Minutes reported by Norda Shepard, Secretary.